

P.A. 16 of 2002: Amended the *Surplus Funds in Treasury Act*

Certificate of Deposit Program

- Authorized State Treasurer to invest up to \$30 million common cash in certificates of deposit to provide financial institutions (FI) with funds to make zero-interest "qualified agricultural loans."
- FIs received a deposit that totaled the amount loaned to farmers plus an additional 20% to cover the administrative cost of handling the loans.
- Three (3) FIs participated and made 118 qualified agricultural loans totaling \$5.7 million. The additional 20% resulted in total deposits of \$6.8 million.
- Fiscal impact to the general fund was forgone interest in order to make the money available for low-interest loans i.e. the opportunity cost.

Interest Subsidy Program

- FIs used their own funds to make \$180 million in zero-interest loans.
- FIs received reimbursement on the money loaned out at 120% of the state's earnings rate on short-term investments.
- Twenty-seven (27) FIs participated and made 2,482 qualified agricultural loans totaling \$177 million.
- Cost to the General Fund was \$14 million.

The appropriation was for "an amount sufficient" to make loans not to exceed \$210 million.

Proposed Legislation HB 5717

Agricultural Disaster Loan Origination Program

- Qualified financial institutions (FI) will use their own funds to make low-interest qualified agricultural loans. There will be no investment of state funds.
 - The FI will set the interest rate at 1% or the rate of 5-year T-Notes plus $\frac{1}{4}\%$.
- FIs will receive reimbursement for a portion of their administrative costs.
 - The state will pay a 5% loan origination fee.
 - Fee to be paid out in 5 equal installments.
- The proposed appropriation is for \$15 million to be paid out over 5 years. This provides the potential for \$300 million in loans.